

ELLIS:LAWHORNE

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September 8, 2009

VIA ELECTRONIC MAIL SERVICE

The Honorable Charles L.A. Terreni
Chief Clerk
South Carolina Public Service Commission
Post Office Drawer 11649
Columbia, South Carolina 29211

RE: Cogen South, LLC Merger into Kapstone Charleston Kraft, LLC
ND-2008-4-A, ELS File No. 1487-11578

Dear Mr. Terreni:

The purpose of this letter is to notify the South Carolina Public Service Commission (the "Commission") and the South Carolina Office of Regulatory Staff ("ORS") of a *pro forma* merger of Cogen South, LLC ("Cogen") into its sole member Kapstone Charleston Kraft, LLC ("KS-SC").

BACKGROUND

KS-SC is a subsidiary of Kapstone Paper and Packaging Corporation ("Kapstone"). KS-SC operates a paper mill (the "Mill"), one of several industrial facilities located in North Charleston on the Cooper River (the "Property"). The facilities on the Property also include a specialty chemicals facility (the "MCF") and a crude tall oil facility (the "CTO Plant") owned and operated by MeadWestvaco South Carolina, LLC ("MV-SC"), a subsidiary of MeadWestvaco Corporation ("MeadWestvaco").

Cogen is a limited liability company ("LLC") chartered under the laws of the State of Delaware. Cogen currently has one member—KS-SC. Cogen owns and operates a cogeneration facility (the "Cogen Facility") located on the Property that generates steam and mechanical energy. Cogen holds a certificate of public convenience and necessity to provide steam (heat) service granted by the Commission via Order No. 1996-433 issued in Docket No. 96-189-E. Cogen produces steam for use at the Mill, the MCF and the CTO Plant. Cogen also provides steam for conversion into mechanical energy, and sells this mechanical energy to SCE&G for the generation of electricity. Cogen leases the property on which the Cogen Facility is located from KS-SC.

THE TRANSACTION

Kapstone intends to merge Cogen into KS-SC, with KS-SC as the surviving entity. The parties intend to complete the transaction by no later than September 30, 2009. The transaction will be completely *pro forma*, as KS-SC will continue to maintain ultimate ownership of the Mill and the Cogen Facility.

As a result of the merger, the certificate of public convenience and necessity currently held by Cogen will be transferred to KS-SC.

THE PROVISION OF UTILITY SERVICES FOLLOWING THE CLOSE OF THE TRANSACTION

Following the Merger, the only change to the provision of services on the Property (as described in more detail in the letter to the Commission in ND-2008-4-A dated July 18, 2008), will be that KS-SC (as opposed to Cogen) will provide steam for its own use and that of MWV-SC, and provide mechanical energy to SCE&G for the generation of electricity. Furthermore, this is purely a change of form rather than substance, as KS-SC currently is the sole member of Cogen.

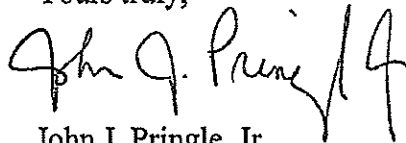
KS-SC will continue to be a "provider of utility services" pursuant to S.C. Code Ann. §58-3-240(A)(4) by virtue of the steam, water and wastewater services that KS-SC provides to MWV-SC. Following the Merger, and consistent with its current operations, KS-SC will not offer or provide any utility services to the public or any part of the public outside the Property. The steam, water and wastewater services provided and to be provided by KS-SC are defined in Chapters 5 and 7 of Title 58. KS-SC will continue to provide these utility services solely to industrial users on the Property.

CONCLUSION

It is the parties' understanding that the merger transaction described herein does not require Commission approval, nor will the merger affect KS-SC's operation under the industrial park exception found in S.C. Code Ann. § 58-3-240.

With kind regards, I am

Yours truly,



John J. Pringle, Jr.

JJP/cr

cc: Timothy P. Davisson, via electronic mail service